

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 17638
[REDACTED])		
	)	DECISION
	)	
Petitioners.	)	
_____	)	

This case arises from a timely protest of a State Tax Commission staff's (staff) decision adjusting property tax reduction benefits for 2003. This matter was submitted for a decision based on the documents in the file. The State Tax Commission has reviewed the file and makes its decision.

All property within the jurisdiction of this state is subject to property taxes. A property tax reduction benefit program is available to certain qualifying individuals throughout the state. The benefit is in the form of a payment (either total or partial) of the applicant's property tax on the dwelling he/she owns and occupies. The payment is funded by state sales tax funds. The amount of property tax reduction depends on income--the greater the income, the smaller the benefit.

[Redacted] (petitioners) filed an application for property tax reduction benefits on or about February 26, 2003. The application listed social security as the only income and medical expenses as a deduction from that income. No other amounts were listed.

Because Tax Commission records suggested the petitioners might have received income that had not been listed in their application, the staff sent the petitioners a letter. In that letter, the staff advised the petitioners their application for benefits was going to be denied because it appeared to be incomplete. The petitioners protested the intended action.

Income for property tax reduction benefits purposes is defined in Idaho Code § 63-701(5) as follows:

(5) "Income" means the sum of federal adjusted gross income as defined in the Internal Revenue Code, as defined in section 63-3004, Idaho Code, and to the extent not already included in federal adjusted gross income:

- (a) Alimony;
- (b) Support money;
- (c) Nontaxable strike benefits;
- (d) The nontaxable amount of any individual retirement account, pension or annuity, (including railroad retirement benefits, all payments received under the federal social security act except the social security death benefit as specified in this subsection, state unemployment insurance laws, and veterans disability pensions and compensation, excluding rollovers as provided in section 402 or 403 of the Internal Revenue Code);
- (e) Nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities;
- (f) Worker's compensation; and
- (g) The gross amount of loss of earnings insurance.

It does not include capital gains, gifts from nongovernmental sources or inheritances. To the extent not reimbursed, the cost of medical care as defined in section 213(d) of the Internal Revenue Code, incurred or paid by the claimant and/or, if applicable, the claimant's spouse, may be deducted from income. To the extent not reimbursed, personal funeral expenses, including prepaid funeral expenses and premiums on funeral insurance, of the claimant and claimant's spouse only, may be deducted from income up to an annual maximum of five thousand dollars (\$5,000) per claim. (Emphasis added.)

For property tax reduction benefits purposes, the calculation of income starts with federal adjusted gross income and, thereafter, makes certain additions and deductions. [Redacted] telephoned the staff when she received the notice of intent to change benefits letter. She asked for clarification and was told the records showed the petitioners may have received interest from financial institutions and annuity proceeds during 2002 that had not been shown in the application.

After [Redacted]'s conversation with the staff, the petitioners sent a note reporting a net amount as annuity income. No verification of the amount or other income was listed. The petitioners' file was transferred to the Legal/Tax Policy Division for administrative review.

In response to a letter from the Tax Appeals Specialist, [Redacted] again telephoned and was again asked to provide copies of all income documents. On November 3, 2003, the Tax Commission received a federal form 1099R showing the retirement annuity [Redacted] received in 2002. The petitioners also included five copies of federal 1099-INT forms showing interest received by the petitioners during 2002 from eleven different accounts.

A comparison of the amounts shown in the 1099 forms to the application the petitioners submitted to Idaho County and the Tax Commission's records supports the staff's findings of unreported income. However, additional medical expenses were also identified. The medical expense statement submitted with the petitioners' application shows the petitioners paid \$2,103.60 in insurance premiums to Blue Cross Blue Shield during 2002. The 1099R issued to [Redacted] shows a gross annuity payment of \$7,464 and health insurance premiums of \$2,435.36. [Redacted] verified the health insurance premiums paid under her retirement plan were the same Blue Cross Blue Shield premiums she had reported in her application.

The Tax Commission finds the \$7,464 annuity is a part of the petitioners' 2002 income for property tax reduction benefits purposes. That amount must be added to the \$15,660 of social security income shown in the application. After all qualified medical expenses (including the additional \$332 for insurance premiums) are deducted from that income; the petitioners' total 2002 income for 2003 property tax reduction benefit purposes is \$19,599. The petitioners qualify to receive a 2003 property tax reduction benefit of an amount not to exceed \$270.

The State Tax Commission is aware there is some potential this decision could cause a hardship to the property tax reduction applicant in certain circumstances. The proper jurisdiction to handle such hardship situations falls with the county commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the Intent to Change Benefits letter dated September 22, 2003, is hereby  
MODIFIED and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

An explanation of the petitioners' right to appeal this decision is enclosed with this decision.

IDAHO STATE TAX COMMISSION

\_\_\_\_\_  
COMMISSIONER

CERTIFICATE OF SERVICE BY MAIL

I hereby certify that I have on this \_\_\_\_\_ day of \_\_\_\_\_, 2003, served a copy of the  
within and foregoing DECISION by sending the same by United States mail, postage prepaid, in an  
envelope addressed to:

[Redacted]

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